

ORIGINAL  
OPEN MEETING



MEMORANDUM

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TO: Docket Control

FROM: Ernest G. Johnson  
Director  
Utilities Division

AZ CORP COMMISSION  
DOCUMENT CONTROL

DATE: January 6, 2006

RE: IN THE MATTER OF THE APPLICATION FOR MOUNTAIN GLEN WATER SERVICE, INC.'S REQUEST FOR APPROVAL OF FINANCING AND AN ARSENIC REMOVAL SURCHARGE TARIFF (DOCKET NOS. W-03875A-03-0737 AND W-03875A-03-0870)

Pursuant to Decision No. 67163, on October 21, 2005, Mountain Glen Water Service, Inc. ("Mountain Glen" or "Company") filed a request with the Arizona Corporation Commission ("Commission") for approval of financing for a new well source and an arsenic removal surcharge tariff.

Staff has reviewed the Company's application and concludes that the new well source supply system is appropriate and the cost estimate presented herein is reasonable for purposes of this financing request. The Company has preliminary approval of a loan for \$182,993 from the Water Infrastructure Financing Authority ("WIFA") at an interest rate of 6.125 percent for a twenty-year term.

Staff has reviewed the Company's methodology of calculating of the arsenic removal surcharge tariff as ordered in Decision No. 67163. Staff concludes that the Company has correctly calculated the surcharge tariff in the amount of \$4.82 per customer per month.

Pursuant to Decision No. 67163, Mountain Glen is required to file a new rate case application which shall address necessary and appropriate ratemaking treatment for arsenic facilities within 48 months of August 10, 2004, the date of Decision No. 67163.

Pursuant to Decision No. 67163, in the event that the Company fails to file a new rate case application within 60 months of August 10, 2004, the arsenic treatment surcharge then in place shall be discontinued.

Staff recommends the following:

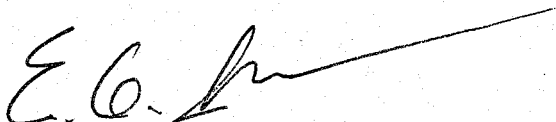
- that the that the application by Mountain Glen for financing of a new well source in the amount of \$182,993 from WIFA be approved;

THE COMMISSION

January 6, 2006

Page 2

- that the application by Mountain Glen for approval of an arsenic removal surcharge tariff of \$4.82 per customer per month to service the debt necessary to complete the arsenic treatment investment be approved;
- that Mountain Glen shall notify its customers of the arsenic removal surcharge tariff approved herein within 30 days of the effective date of this decision;
- that Mountain Glen shall file a new rate case application which shall address necessary and appropriate ratemaking treatment for arsenic facilities no later than of August 10, 2008, as per Decision No. 67163; and
- that, in the event that Mountain Glen fails to file a new rate case application by August 10, 2009, the arsenic treatment surcharge then in place shall be automatically discontinued.



Ernest G. Johnson  
Director  
Utilities Division

EGJ:JRM:lhv\DR

Originator: Jamie R. Moe

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 JEFF HATCH-MILLER  
Chairman  
3 WILLIAM A. MUNDELL  
Commissioner  
4 MARC SPITZER  
Commissioner  
5 MIKE GLEASON  
Commissioner  
6 KRISTIN K. MAYES  
Commissioner  
7

8 IN THE MATTER OF THE APPLICATION )  
OF MOUNTAIN GLEN WATER SERVICE, )  
9 INC. FOR A PERMANENT RATE )  
10 INCREASE )

DOCKET NO. W-03875A-03-0737

11 IN THE MATTER OF THE APPLICATION )  
12 OF MOUNTAIN GLEN WATER SERVICE, )  
13 INC. FOR FINANCING APPROVAL )

DOCKET NO. W-03875A-03-0870

DECISION NO. \_\_\_\_\_

ARSENIC REMOVAL SURCHARGE  
TARIFF

14  
15 Open Meeting  
January 24 and 25, 2006  
16 Phoenix, Arizona

17 BY THE COMMISSION:

18 Pursuant to Decision No. 67163, Mountain Glen Water Service, Inc. ("Mountain Glen" or  
19 "Company") was ordered to file an amended request for financing of a new well source and for  
20 approval of an arsenic removal surcharge tariff within 30 days after receiving preliminary approval  
21 of a loan from WIFA.

22 On October 21, 2005, the Company filed with the Arizona Corporation Commission  
23 ("Commission") an application for approval of financing and permanent rate increase in Docket  
24 No. W-03875A-03-0737.

25 The Company has applied the arsenic surcharge mechanism methodology approved in  
26 Decision No. 67163 in its calculation of the arsenic removal surcharge tariff.

27 \* \* \* \* \*

1 Having considered the entire record herein and being fully advised in the premises, the  
2 Commission finds, concludes, and orders that:

3 FINDINGS OF FACT

4 1. Mountain Glen is a Class-D regulated water utility which serves approximately 299  
5 Arizona customers in Navajo pursuant to its Certificates of Convenience and Necessity granted by  
6 the Commission to the Company.

7 2. The Company seeks an arsenic removal surcharge tariff in this proceeding  
8 authorizing a monthly surcharge per customer of \$4.82 to aid the Company in its efforts to comply  
9 with the Environmental Protection Agency's ("EPA") new arsenic maximum contaminant level of  
10 10 particles per billion ("ppb") which goes into effect on January 23, 2006.

11 3. The Company has received preliminary approval of a loan for a new well source  
12 from Water Infrastructure Finance Authority ("WIFA") in the amount of \$182,993 at an interest  
13 rate of 6.125 percent over a twenty-year term.

14 4. Pursuant to Decision No. 67163, the Company is required to file a new rate case  
15 application which shall address necessary and appropriate ratemaking treatment for arsenic  
16 facilities within 48 months of August 10, 2004, the date of Decision No. 67163.

17 5. Pursuant to Decision No. 67163, in the event that the Company fails to file a new  
18 rate case application within 60 months of August 10, 2004, the arsenic treatment surcharge then in  
19 place shall be discontinued.

20 CONCLUSIONS OF LAW

21 1. The Company is a public water service corporation within the meaning of Article  
22 XV of the Arizona Constitution and A.R.S. §§40-250 and 40-252.

23 2. The Commission has jurisdiction over the Company and of the subject matter of the  
24 application.

25 3. Approval of an arsenic surcharge mechanism is consistent with the Commission's  
26 authority under the Arizona Constitution, Arizona ratemaking statutes, and applicable case law.

27 4. It is in the public interest to approve the Company's request for financing and for  
28 approval of an arsenic removal surcharge tariff.

ORDER

IT IS THEREFORE ORDERED that the application by Mountain Glen for financing of a new well source in the amount of \$182,993 from WIFA is approved.

IT IS FURTHER ORDERED that the application by Mountain Glen for approval of an arsenic removal surcharge tariff of \$4.82 per customer per month to service the debt necessary to complete the arsenic treatment investment is approved.

IT IS FURTHER ORDERED that Mountain Glen shall notify its customers of the arsenic removal surcharge tariff approved herein within 30 days of the effective date of this Decision.

IT IS FURTHER ORDERED that Mountain Glen shall file a new rate case application which shall address necessary and appropriate ratemaking treatment for arsenic facilities no later than August 10, 2008, as per Decision No. 67163.

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1 IT IS FURTHER ORDERED that in the event that Mountain Glen fails to file a new rate  
2 case application by August 10, 2009, the arsenic treatment surcharge then in place shall be  
3 automatically discontinued.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.  
5

6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**  
7  
8

9 CHAIRMAN

COMMISSIONER

10  
11  
12 COMMISSIONER

COMMISSIONER

COMMISSIONER

13 IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive  
14 Director of the Arizona Corporation Commission, have  
15 hereunto, set my hand and caused the official seal of this  
16 Commission to be affixed at the Capitol, in the City of  
17 Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

18  
19 \_\_\_\_\_  
20 BRIAN C. McNEIL  
21 Executive Director

22 DISSENT: \_\_\_\_\_  
23

24 DISSENT: \_\_\_\_\_  
25

26 EGJ:JRM:lhmdR  
27  
28

Decision No. \_\_\_\_\_

1 SERVICE LIST FOR: Mountain Glen Water Service, Inc.  
2 DOCKET NOS. W-03875A-03-0737, et al.

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4 Mountain Glen Water Services, Inc.  
5 Post Office Box 897  
6 Clay Springs, Arizona 85923

7 Mr. Ernest G. Johnson  
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12 Mr. Christopher C. Kempley  
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